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SUBJECT: SCENESETTER FOR EPA ADMINISTRATOR LISA JACKSON

11. SUMMARY: Mission warmly welcomes EPA Administrator Lisa Jackson and her presidential delegation to Indonesia. You are arriving on the eve of President Yudhoyono and Vice President Boediono's inauguration. Ten years of political and economic reform have made Indonesia democratic, stable, and increasingly confident about its leadership role in the region. Indonesia has held free, fair and successful elections; is establishing itself as an international leader on climate issues; and has weathered the financial crisis. Moreover, the Indonesian government and people are resolute in overcoming the terrorist threat. Our developing Comprehensive Partnership will bolster Indonesia's reform efforts and advance U.S. interests. Your visit will be seen as a sign of high-level U.S. engagement with Indonesia. President Obama is wildly popular in Indonesia and his leadership has served to strengthen U.S. - Indonesian relations. END SUMMARY.

FREE, FAIR AND SUCCESSFUL ELECTIONS

12. Indonesia's April 9 legislative and July 8 presidential elections were free, fair, and successful. The Election Commission, working hand-in-hand with provincial and local level counterparts, overcame daunting logistical challenges -- 451,000 polling stations spread among many islands -- in order to achieve this impressive result. President Yudhoyono's reformist policies were clearly endorsed by the Indonesian people. In April, President Yudhoyono's Partai Demokrat (PD) won a plurality in legislative elections, with 20.85 percent of the popular vote (and over a quarter of the 560 parliamentary seats). This was followed by President Yudhoyono's landslide reelection victory in July. Seen as the reformist, clean candidate, he further shored up his credentials by choosing a non-partisan, economically savvy, U.S.-educated technocrat as running mate. Together they captured 60.8 percent of the vote and 28 of the nation's 33 provinces. The President's next step will be selecting his Cabinet ministers. We expect that the new ministers will be announced on October 21. The President's selections will be an important indicator of how he intends to move forward with his reform agenda.

A REGIONAL ANCHOR

13. With 45 percent of ASEAN's population, Indonesia is the natural leader of Southeast Asia. The success of Indonesia's democratic and reform process has given the country new confidence in its stability, sovereignty and territorial integrity. This new confidence can help the United States work well with Indonesia to achieve our aims in Asia. Indonesia sits at the crossroads of transit between East Asia, South Asia, and the Middle East and will be critical to ensuring balanced and stable relations in the region. As home of the ASEAN Secretariat, Jakarta seeks a greater leadership role in ASEAN and it is succeeding. GOI officials spearheaded efforts to enshrine democracy and human rights in the ASEAN Charter. During late July's ASEAN summit, Foreign Minister Wirajuda pressed the Burmese regime hard to release jailed democracy activist Aung San Suu Kyi. In its host of the Bali Democracy Forum, Indonesia has promoted democracy in Asia.

ENVIRONMENTAL CHALLENGES

14. Indonesia is richly endowed with biodiversity and natural resources. As the third largest global emitter, Indonesia is key to any global solution for climate change. While Indonesia alone does not have the influence to determine a global deal on climate, its non-articipation or failure to achieve reductions would cause any global solution to fail. Roughly 80% of Indonesia's green house gas (GHG) emissions come from the annual degradation of forests and peat lands, and that number accounts for about 5% of world emissions. While industrial sources of emissions in Indonesia are predicted to rise several fold in the coming few decades, destruction of forests and peat negatively impact the world today. In addition, the cost for GHG reductions from forests and peat could be much cheaper than other sources of global reductions.

LEADING ON ENVIRONMENTAL ISSUES

15. We believe that President Yudhoyono is moving to make Indonesian leadership and contributions to a global climate solution a potential achievement of his new administration. Yudhoyono has a strong record of international leadership on climate with the hosting of COP-13, the Bali Action Plan, the Forest-11, the Coral Triangle Initiative and the World Ocean Conference. He capped those events off with an historic statement at the G-20 in Pittsburgh, when he declared that Indonesia on its own could cut emissions by 26% from a "business-as-usual" (BAU) scenario or 41% with international assistance. Indonesia was the first developing country to declare a percentage reduction target before Copenhagen

INDONESIAN DECLARATION ON PEAT AND FORESTS

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16. We have encouraged Indonesian leaders to take strong moves to reduce emissions from the destruction of peat lands, including a presidential declaration, having the force of law, to ban further conversion of peat lands. Such a move would bring credence to the targets that Yudhoyono voiced at Pittsburgh. But Yudhoyono would need clear support from the U.S. and other major donors to take this bold step. Advisors and Indonesia climate experts repeatedly say that Yudhoyono must be armed with viable alternatives for the vested interests if he is to effectively change behavior. Possible US climate legislation that creates a carbon market with international offsets, including "avoided deforestation," would provide the incentives to Indonesia for saving its forests and peat lands. Short of a ready announcement on U.S. legislation, there is a smaller, but significant package of U.S. assistance that could be characterized as seed support.

U.S. SUPPORT ON ENVIRONMENTAL ISSUES

17. U.S. bilateral activities include USAID's planned \$150 million in climate-related assistance on mitigation on forestry and energy and adaptation on marine and water/sanitation. In addition to the Tropical Forest Conservation Act (TFCA) recently launched in Sumatra for \$30 million, the U.S. is considering other sites for TFCA deals. However, the totaling of the assistance packages by other major donor nations could possibly reach up to a billion dollars. This would make an even more compelling case for Indonesia to take positive game-changing action. International donors resident in Jakarta have said they welcome U.S. leadership in pressing Indonesia for policy change and renewed engagement on donor assistance on climate, and we have begun active coordination in Jakarta mirroring S/ECC actions in the various international negotiation fora.

A GROWING ECONOMY

18. With estimated growth of four percent for 2009, Indonesia is the third-fastest growing economy in the G-20. Indonesians are proud of their transition over little more than a decade from economic basket case during the Asian financial crisis to member of the G-20, coordinating global responses to the crisis. Although some of Indonesia's responses to the economic crisis have been protectionist, new opportunities for U.S. businesses are emerging. Boeing has a huge order book with Indonesian airlines. General

Electric is competing for a several hundred million dollar locomotive deal. The Export-Import Bank is looking for opportunities to finance clean energy deals and is exploring ways to decrease the costs for lending in Indonesia. And OPIC is negotiating a new Investment Incentive Agreement with Indonesia.

OVERCOMING SECURITY THREATS

¶9. Indonesia's response to the July 17 terrorist attacks on two hotels in Jakarta has been swift. The government has heightened security nationwide, and the police have worked steadily to find the masterminds of the attack. Noordin Mohammed Top, who is suspected of involvement in every anti-Western terrorist attack in Indonesia since 2002, including the July 17 bombings, was killed in a police raid, along with three other suspects last month. While Indonesia's counterterrorism efforts have been impressive and its capacity to fight terrorism within its borders has improved steadily, continued vigilance is needed, as the events of July 17 demonstrated. The U.S. provides Indonesia key assistance for its counterterrorism effort.

A COMPREHENSIVE PARTNERSHIP

¶10. President Yudhoyono proposed that the U.S. and Indonesia launch a Comprehensive Partnership in his November 2008 speech in Washington. Secretary Clinton's visit in February 2009 was a critical step in beginning a dialogue with Indonesians about the key elements of that partnership. Under a Comprehensive Partnership, we will strengthen Indonesia's democratic institutions and capacity to promote democracy beyond its borders. The partnership will allow us to expand our already robust regional security cooperation and deepen our cooperation with the Indonesian military to enhance its capability to provide disaster relief and participate in international peacekeeping operations. We will promote the people-to-people ties that are critical to the success of our partnership, including concluding an agreement on Science and Technology cooperation, bringing the Peace Corps back to Indonesia, and expanding education cooperation.

INDONESIA: AN IMPORTANT U.S. PARTNER IN DEMOCRACY

¶11. Our security relationship with Indonesia is only one dimension of a robust partnership. Indonesia's democratic institutions are flourishing. Indonesian consumer confidence rose in July to its highest level in nearly five years. Although much work remains to be done in educational reform, poverty alleviation, combating

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corruption, improving security, and reducing environmental degradation, Indonesia is emerging as a leader in ASEAN, G-20 and other multilateral fora on the global stage. Our Comprehensive Partnership with the world's third largest democracy and the largest Muslim-majority nation is an opportunity for the United States to promote its interests bilaterally, regionally, and internationally.

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